

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 EB-08 EA-12

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TO SECSTATE WASHDC 5159

USDOC WASHDC

INFO AMEMBASSY ATHENS

AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY PRAGUE

USMISSION USNATO

AMEMBASSY WARSAW

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USOECD

E.O. 11652: N/A

TAGS: ECON, BU

SUBJECT: BULGARIAN ECONOMIC PERFORMANCE FOR FIRST HALF OF 1978

1. SUMMARY: ACCORDING TO MID-YEAR FIGURES, THE BULGARIAN ECONOMY CONTINUES TO TURN IN LOWERED RATES OF GROWTH SIGNIFICANT SECTORS SHOWED SLACKENED PACE OF DEVELOPMENT THAT MUST BE OF CONCERN TO TOP PARTY AND ECONOMIC LEADERSHIP. FOR EXAMPLE, INDUSTRIAL PRODUCTION FOR THE FIRST HALF ROSE ONLY 5.9 PERCENT OVER THE CORRESPONDING PERIOD IN 1977 (THE FIGURE FOR 1977 WAS 7.7 PERCENT). THE CHEMICAL INDUSTRY
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CONTINUED ITS LACKLUSTER PERFORMANCE, TURNING IN ONLY AN 8.5 PERCENT OVERALL INCREASE, WELL BELOW THE PLAN AVERAGE OF 12.5 PERCENT. CONSTRUCTION AND CONSTRUCTION MATERIALS MINISTRY FELL 0.5 PERCENT BELOW PLAN FOR THE FIRST SIX MONTHS, BUT AGRICULTURE WAS 6.6 PERCENT ABOVE PLAN.

2. CAPITAL INVESTMENT FOR THE HALF-YEAR REACHED 2.1 BILLION

LEVA (\$2.8 BILLION). THE SHARE FOR MODERNIZATION, RECONSTRUCTION, AND EXPANSION OF EXISTIV PRODUCTION CAPACITIES REACHED 57 PERCENT.

3. FOREIGN TRADE REACHED 6.1 BILLION LEVA (\$6.8 BILLION), ALMOST 8 PERCENT OVER THE CORRESPONDING PERIOD LAST YEAR. EXPORTS REPORTEDLY WERE UP 9.3 PERCENT. END SUMMARY.

4. INDUSTRY. INDUSTRIAL PRODUCTIVITY SHOWED A SIZEABLE SLOWDOWN AS OUTPUT GREW BY ONLY 5.9 PERCENT COMPARED WITH THE FIRST HALF OF LAST YEAR. LABOR PRODUCTIVITY (NET OUTPUT PER PERSON ENGAGED IN PRODUCTION) INCREASED 6.6 PERCENT OVER THE SAME PERIOD. AS IS USUAL, IT IS CLAIMED THAT ALMOST ALL THE INCREASE IN OUTPUT RESULTS FROM INCREASED LABOR PRODUCTIVITY.

5. VERY LITTLE INFORMATION REGARDING GROWTH RATES FOR VARIOUS INDUSTRIAL BRANCHES HAS BEEN GIVEN. IT WAS ONLY MENTIONED THAT MACHINEBUILDING AND METAL-WORKINGINDUSTRY INCREASED OUTPUT BY 12.7 PERCENT AND THAT THE OUTPUT OF THE CHEMICAL AND RUBBER INDUSTRY GREW BY 8.5 PERCENT. (THIS CONTRASTS WITH A GROWTH RATE OF 10.6 PERCENT FOR THE SAME PERIOD LAST YEAR, AND INDICATES THAT THE PLANNED LEVEL OF 80 PERCENT INCREASE FOR THIS INDUSTRY DURING THE CURRENT FYP WILL NOT BE REALIZED.) REPORTEDLY, THE OUTPUT OF LIGHT INDUSTRY ICREASED WHILE THE FOOD INDUSTRY FAILED TO REACH UNCLASSIFIED

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LAST YEAR'S LEVEL. NO FIGURES WERE GIVEN.

6. ALMOST ALL MINISTRIES WERE REPORTED TO HAVE BEEN WITHIN A FEW TENTHS OF A PERCENTAGE POINT REGARDING FULFILLMENT OF THE SEMI-ANNUAL PLAN. THE SOLE EXCEPTION WAS THE MINISTRY OF AGRICULTURE AND FOOD INDUSTRY WHICH WAS 6.6 PERCENT ABOVE PLAN TARGET LEVEL (SEE PARA 7).

7. AGRICULTURE. ACCORDING TO THE PUBLISHED REPORT, "CONSIDERABLE EFFORTS" WERE MADE TO ENSURE FULFILLMENT OF THE PLANNED VOLUME OF AGRICULTURAL OUTPUT AND "FOR COMPENSATION OF THE LOSSES BY NATURAL CALAMITIES." (COMMENT: THE LATTER WOULD SEEM TO BE A BIT PREMATURE SINCE IT WAS NOT UNTIL THE END OF JUNE THAT SIZEABLE LOSSES -- REPORTEDLY TOTALLING SOME \$300 MILLION -- WERE CAUSED FROM HAIL AND RAIN STORMS. END COMMENT.) WHILE THE AGRICULTURE MINISTRY REPORTEDLY OVERFULFILLED PLAN BY 6.6 PERCENT, NO DETAILS REGARDING INDIVIDUAL CROPS OR PRODUCTION LEVELS COMPARED WITH LAST YEAR WERE PUBLISHED.

8. CONSTRUCTION. PROJECTS VALUED AT 1.1 BILLION LEVA (\$1.2 BILLION) WERE COMPLETED DURING THE SIX MONTH PERIOD, A

2 PERCENT INCREASE OR THE SAME PERIOD LAST YEAR. 16,867
NEW APARTMENTS REPORTEDLY WERE COMPLETED. HOUSING CONSTRUCTION FOR THE PERIOD REACHED 196 MILLION LEVA (\$215 MILLION),

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6.3 PERCENT AHEAD OF LAST YEAR. FIXED ASSETS WORTH 1.4
BILLION LEVA K(\$155 MILLION) WERE COMMISSIONED, INCLUDING
A CAPROLACTAM PLANT AT THE STARA ZAGORA CHEMICAL COMBINE,
THE ADDITION OF A SODIUM TRIPOLYPHOSPHATE FACILITY AT THE
DEVNYA CHEMICAL FERTILIZER COMBINE, AND THE "DRUZHBA-BOURGAS"
POWER LINE.

9. TRANSPORTATION AND COMMUNICATIONS. 3.3 PERCENT MORE
GOODS WERE HANDLED BY THE TRANSPORTATION ECONOMIC ORGANIZATIONS THAN IN THE FIRST HALF OF LAST YEAR. REFLECTING HIGHER
FREIGHT CHARGES, INCOME FROM TRANSPORTATION INCREASED 13 PERCENT. FOR RAIL TRANSPORT, VOLUME INCREASED ONLY 0.4 PERCENT,
BUT INCOME WAS UP 12 PERCENT. IT WAS REPORTED THAT AS OF
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JULY 1, 1978, 98.5 PERCENT OF RAIL TRANSPORT IS HAULED BY ELECTRIC AS OPPOSED TO DIESEL TRAINS. INCOME FROM COMMUNICATIONS SERVICES INCREASED 10.3 PERCENT.

10. COMMENT: PRELIMINARY SIGNS ARE THAT THE BULGARIAN ECONOMY IS CONTINUING TO SHOW DECELERATED RATES OF GROWTH, AS WE HAVE PREVIOUSLY REPORTED, AND THAT 1978 WILL NOT BE A PARTICULARLY STRONG YEAR AFTER 1977'S MIDDLING PERFORMANCE. SPARSE (EVEN BY BULGARIAN STANDARDS) INFORMATION RELEASED ON THE ECONOMIC RESULTS FOR THE FIRST HALF OF 1978 INDICATES THAT FEW SECTORS HAVE DONE PARTICULARLY WELL. REPORTING OF RESULTS IN TERMS OF PERFORMANCE UNDER THE PLAN SIDESTEPS QUESTIONS OF RATES OF GROWTH. FACT THAT ALL MINISTRIES FELL CLOSE TO 100 PERCENT FULFILLMENT OF SEMIANNUAL PLAN CAN BE VIEWED AS EVIDENCE THAT ANNUAL PLAN GOALS FOR REMAINDER OF FYP HAVE, IN FACT, BEEN REDUCED AS WE HAVE SUSPECTED.

11. ONLY PRODUCTION GROWTH RATES REPORTED WERE FOR MACHINE-BUILDING/METALS PROCESSING AND FOR CHEMICAL INDUSTRIES. SLUGGISH PACE OF DEVELOPMENT OF LATTER INDUSTRY -- SCHEDULED TO HAVE BEEN A LEADING GROWTH INDUSTRY DURING THE CURRENT FYP -- SHOWS THAT THIS SECTOR IS CONTINUING TO EXPERIENCE DIFFICULTIES AND THAT ITS PLANNED 80 PERCENT GROWTH RATE FOR THE FIVE YEAR PERIOD WILL CERTAINLY NOT BE MET.

12. ON THE AGRICULTURAL FRONT, VERY LITTLE DATA IS PRESENTED. WHILE THE AGRICULTURE MINISTRY REPORTEDLY OVERFULFILLED ITS PLAN BY 6.6 PERCENT, THE FOOD INDUSTRY DID NOT REACH LAST YEAR'S LEVEL OF OUTPUT. IF AGRICULTURAL LOSSES FROM SUMMER STORMS AND DROUGHTS ARE EXTENSIVE, OUTLOOK FOR THE INDIVIDUAL CONSUMER IS NOT GOOD AND HARD CURRENCY EARNINGS COULD SUFFER. END COMMENT.

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